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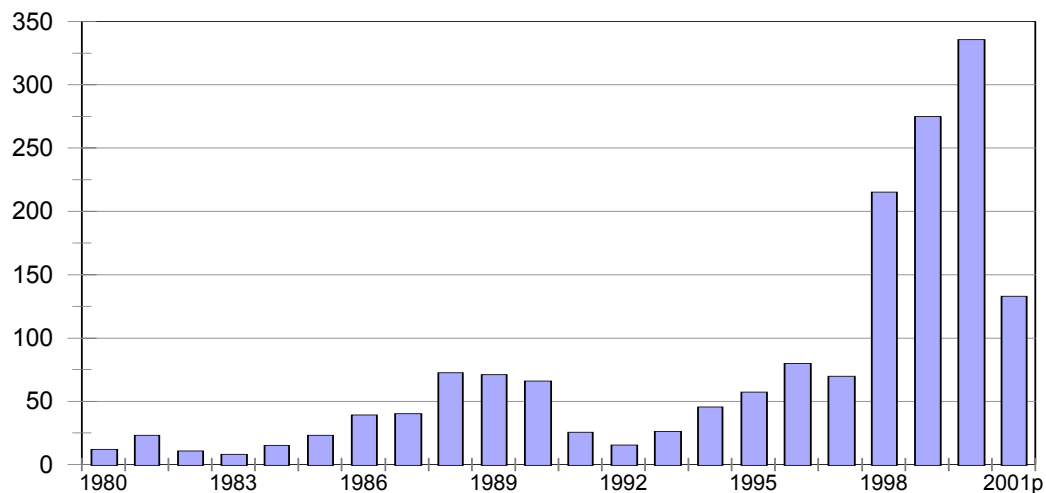
BEA 02-16

Foreign Direct Investors' Spending to Acquire or Establish U.S.
Businesses Fell Sharply in 2001 from a High Level

Spending by foreign direct investors to acquire or establish businesses in the United States decreased 60 percent in 2001, from an exceptionally high level of \$335.6 billion in 2000

Outlays for New Investment in the United States by Foreign Direct Investors, 1980-2001

Billion \$



p Preliminary

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to \$132.9 billion in 2001. The decrease reflected weakness in the U.S. and world economies and a sharp drop in overall merger and acquisition activity worldwide. Despite the decrease, outlays were still higher than in any year prior to 1998. The sharp decrease in outlays followed three years of unprecedented spending for new investments.

Outlays fell sharply in telecommunications and other high-tech industries, where U.S. business conditions were particularly weak. However, outlays remained strong in “finance (except depository institutions) and insurance,” particularly in insurance, as foreign investors continue to be attracted by the large and expanding U.S. life insurance market. Outlays by British investors plunged to \$16.6 billion from \$110.2 billion in 2000 and were substantially lower than in the three previous years, when they were boosted by a few especially large investments in high-tech industries and petroleum.

Outlays in 2001

By industry, outlays were largest in finance (except depository institutions) and insurance (\$37.9 billion) and manufacturing (\$35.6 billion). Within manufacturing, outlays were largest in food (\$11.0 billion) and in computers and electronic products (\$10.2 billion). Outlays were also substantial in information (\$26.0 billion), mainly in broadcasting and telecommunications and in publishing.

By country of ultimate beneficial owner (UBO), the largest outlays were by Canadian investors (\$16.9 billion), followed by British investors (\$16.6 billion). Among other European countries, outlays by investors from Switzerland were \$15.0 billion, and outlays by investors from the Netherlands were \$13.2 billion. In the Asian and Pacific area, Australia, the only major source country to increase its spending from 2000, was the largest investor, at \$5.0 billion. Outlays by Japanese investors totaled \$3.8 billion, down sharply from \$26.0 billion in 2000, when one large transaction accounted for most of the total.

The UBO is that person proceeding up a U.S. affiliates’ ownership chain, beginning with and including the foreign parent, that is not owned more than 50 percent by another person.

The estimate of total outlays for 2000 has been revised up 5 percent from the preliminary estimate published last year.

Employment of newly acquired or established businesses

Newly acquired or established businesses employed 341,000 people in 2001. Manufacturing, with 81,000 employees, accounted for the largest share of employment. Employment was also substantial in professional, scientific, and technical services and in information.

* * *

Estimates in this report are based upon a Bureau of Economic Analysis survey that covers (1) existing U.S. business enterprises in which foreign investors acquired, either directly or through their U.S. affiliates, at least a 10 percent ownership interest and (2) new U.S. business enterprises established by foreign investors or their U.S. affiliates, also using the 10 percent ownership interest threshold.

Additional details on the new investments by foreign investors in 2001 will appear in the June issue of the Survey of Current Business, the monthly journal of the Bureau of Economic Analysis.

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Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202) 606-5306 Gross domestic product
606-5303 Personal income and outlays
606-5362 U.S. international transactions

Most of BEA's estimates and analyses appear in the Survey of Current Business, BEA's monthly journal. Subscriptions and single copies of the printed Survey are for sale by the Superintendent of Documents, U.S. Government Printing Office. Internet: <bookstore.gpo.gov>; phone: 202-512-1800; fax: 202-512-2250; mail: Stop SSOP, Washington, DC 20402-0001.

**Table 1. Investment Outlays,
1992-2001**

Year	Outlays (millions of dollars)
1992	15,333
1993	26,229
1994	45,626
1995	57,195
1996	79,929
1997	69,708
1998	215,256
1999	274,956
2000 r	335,629
2001 p	132,943

p Preliminary.

r Revised

Source: U.S. Bureau of Economic
Analysis

Table 2.--Distribution of Investment Outlays by Size, 1992-2001
[Percent]

	1992	1993	1994	1995	1996	1997	1998	1999	2000r	2001p
Total outlays.....	100	100	100	100	100	100	100	100	100	100
\$5 billion or more	0	0	0	(D)	0	0	55	55	48	30
\$2 billion - \$4.999 billion	0	(D)	27	18	29	12	11	16	20	22
\$100 million - \$1.999 billion	42	51	51	48	55	67	27	24	27	40
Less than \$100 million	58	(D)	22	(D)	16	21	7	5	5	9

D Suppressed to avoid disclosure of data of individual companies.

p Preliminary.

r Revised.

Source: U.S. Bureau of Economic Analysis.

Table 3.--Investment Outlays by Industry of U.S. Business Enterprise, 1998-2001

[Millions of dollars]

	1998	1999	2000 ^r	2001 ^p
All industries	215,256	274,956	335,629	132,943
Manufacturing	149,243	73,122	143,285	35,579
Food	1,286	859	(D)	10,960
Beverages and tobacco products.....	442	1,417	3,722	592
Petroleum and coal products.....	67,658	158	(D)	0
Chemicals	3,627	5,703	15,016	3,257
Plastics and rubber products.....	1,434	3,682	3,154	861
Nonmetallic mineral products.....	900	3,175	6,324	355
Primary metals.....	2,454	2,542	379	186
Fabricated metal products.....	532	1,388	638	615
Machinery	5,220	13,941	1,213	1,439
Computers and electronic products	17,861	30,601	42,600	10,191
Electrical equipment, appliances, and components	136	4,247	8,084	2,205
Transportation equipment	37,177	2,786	3,230	146
Other	10,516	2,667	6,529	4,772
Wholesale trade	3,321	(D)	8,561	3,214
Retail trade	1,153	3,458	1,672	1,289
Information	13,399	90,855	67,932	25,960
Publishing industries	9,856	(D)	10,135	10,327
Motion pictures and sound recording industries	36	(D)	(D)	428
Broadcasting and telecommunications	2,841	78,202	(D)	14,187
Information services and data processing services	667	(D)	12,228	1,018
Depository institutions	1,563	(D)	2,636	6,161
Finance (except depository institutions) and insurance	21,057	46,380	44,420	37,886
Real estate and rental and leasing	6,299	5,206	4,526	4,309
Professional, scientific, and technical services	4,289	9,366	32,332	6,493
Other industries	14,932	32,680	30,264	12,052

^D Suppressed to avoid disclosure of data of individual companies.

^p Preliminary.

^r Revised.

Source: U.S. Bureau of Economic Analysis

Table 4.--Investment Outlays by Country of Ultimate Beneficial Owner, 1998-2000¹
[Millions of dollars]

	1998	1999	2000 ^r	2001 ^p
All countries	215,256	274,956	335,629	132,943
Canada	22,635	9,271	28,346	16,928
Europe	170,173	196,288	249,167	72,134
France	14,493	23,750	26,149	4,995
Germany	39,873	21,514	18,452	12,845
Netherlands	19,009	22,265	47,686	13,238
Switzerland	4,525	7,512	22,789	15,037
United Kingdom	84,995	109,226	110,208	16,557
Other Europe	7,278	12,021	23,883	9,462
Latin America and Other Western Hemisphere	11,354	33,046	15,400	(D)
South and Central America	920	1,622	5,334	(D)
Other Western Hemisphere	10,433	31,424	10,066	8,623
Africa	212	(D)	(D)	(D)
Middle East	2,810	848	947	(D)
Asia and Pacific	7,329	15,100	40,282	9,477
Australia	(D)	(D)	(D)	5,035
Japan	4,862	11,696	26,044	3,797
Other Asia and Pacific	(D)	(D)	(D)	645
United States²	743	(D)	(D)	(D)

^D Suppressed to avoid disclosure of data of individual companies.

^p Preliminary.

^r Revised.

1. For investments in which more than one investor participated, each investor and each investor's outlays are classified by country of each ultimate beneficial owner.

2. The United States is shown as the country of ultimate beneficial owner for businesses newly acquired or established by foreign investors that are, in turn, ultimately owned by persons located in the United States.

Source: U.S. Bureau of Economic Analysis

Table 5.--Selected Operating Data of U.S. Businesses Acquired or Established, by Industry of U.S. Business Enterprise, 2000-2001

	2000 ^r					2001 ^p				
	Millions of dollars			Thousands of employees	Number of hectares of land owned ¹	Millions of dollars			Thousands of employees	Number of hectares of land owned ¹
	Total assets	Sales	Net Income			Total assets	Sales	Net Income		
All industries.....	482,021	160,729	6,281	770.0	315,459	338,850	96,686	1,129	341.4	101,979
Manufacturing.....	147,355	60,254	3,713	194.5	200,740	38,934	28,654	532	81.0	19,724
Wholesale trade.....	8,299	14,476	371	31.1	1,357	4,851	12,700	122	30.9	395
Retail trade.....	11,099	15,054	-353	104.6	(D)	1,465	3,364	8	26.2	202
Information.....	48,306	13,752	-1,108	52.9	1,344	32,748	6,409	-712	38.6	144
Depository institutions.....	11,894	(D)	(D)	G	(D)	69,338	4,406	309	8.8	109
Finance (except depository institutions) and insurance.....	179,555	19,610	2,413	41.3	152	160,768	21,996	1,746	32.7	(D)
Real estate and rental and leasing.....	7,116	(D)	(D)	G	10,099	4,555	408	52	0.1	50,671
Professional, scientific, and technical services.....	29,364	10,242	467	72.3	442	14,340	10,068	-453	54.4	(D)
Other industries.....	39,034	25,380	502	268.6	100,996	11,851	8,680	-475	68.7	29,881

^D Suppressed to avoid disclosure of data of individual companies.

^P Preliminary.

^r Revised.

1. One hectare equals 2.471 acres. Thus, for all industries, the number of acres of land owned in 2000 and 2001 were 779,499 and 251,990, respectively.

NOTES. For newly acquired businesses, data cover the most recently completed financial reporting year. For newly established businesses, data are projections for the first full year of operations.

Size ranges are given in employment cells that are suppressed. The size ranges are: A--1 to 499; F--500 to 999; G--1,000 to 2,499; H--2,500 to 4,999; I--5,000 to 9,999; J--10,000 to 24,999; K--25,000 to 49,999; L--50,000 to 99,999; M--100,000 or more.

Source: U.S. Bureau of Economic Analysis